

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. # Ranking Democratic Member

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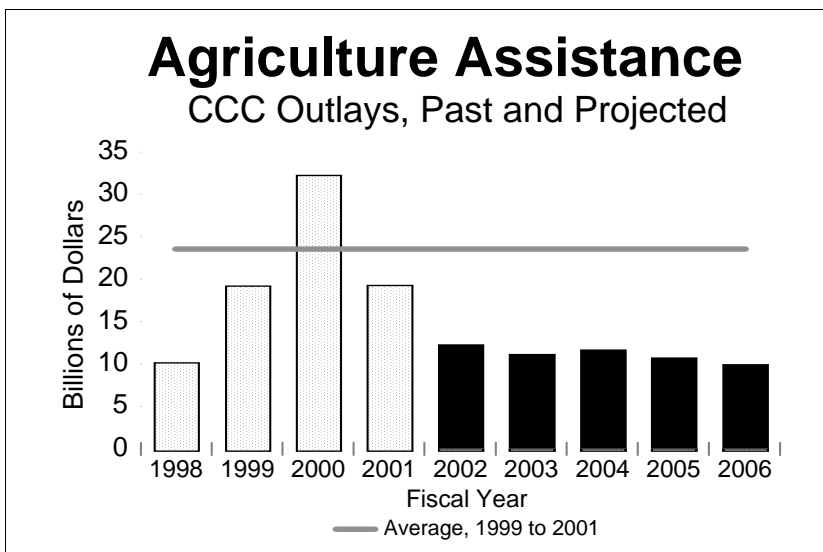
April 30, 2001

President Bush's Budget Ignores the Farm Safety Net and the Realities of the Current Farm Economy

The Bush budget and the budget passed by the House Republicans ignore the key needs of America's farmers. Even though the Senate provided additional funding for agriculture, and farm groups have made it clear that more money is needed, the Bush budget and the House Republican budget ignore the need. While squeezing the delivery system and cutting agricultural research dollars, the Bush budget claims that "commodity prices are improving, [and] net cash income is projected to be over 90 percent of the average income in the 1990s." Prices may be inching up from Depression-era lows, but they are not rising fast enough for farmers to make a living this year without additional assistance. Net cash income has risen only because of farm programs and, in many cases, because farm families have taken second jobs off the farm to supplement household income.

Emergency Spending

Agriculture has received over \$27 billion in ad hoc emergency spending since 1998, in response to both natural disasters and very low commodity prices. Crop yield loss as a result of drought or floods is difficult to predict, and historically assistance for crop yield loss has been



provided through emergency spending. However, much of the emergency spending in the past three years has also included income support because of desperately low prices, in addition to crop yield loss assistance; and the need for income assistance is likely to continue. It is unrealistic to expect that the levels of agriculture spending assumed in 2002 and beyond, which are based on only the *non-emergency* spending levels for agriculture in the recent past, will be sufficient to support America's farmers in today's farm crisis.

Bipartisan coalitions of farm groups have repeatedly underscored the need for additional assistance in hearings before the House Agriculture Committee, asking for as much as \$12 billion more per year. The Senate recently added \$59 billion to the budget over ten years for agriculture assistance, recognizing that the President's budget and the House Republican budget fall far short.

Empty Reserve Funds

Because the budget does not include any specific money to help farmers, some have suggested that the "reserve funds" in the Republican budgets could be used for this purpose. However, these reserve funds are not sufficient or available for this purpose.

There are two reserve funds in the President's budget: the National Emergency Reserve Fund (\$5.6 billion for 2002) and the Contingency Reserve Fund (\$841 billion over ten years), but neither of the two is sufficient to provide real help for farmers. First, the Emergency Reserve Fund falls short of the historical average amount Congress has spent on emergencies, *not including agriculture*, by over \$1 billion. For agriculture, Congress has appropriated an average of \$9.0 billion per year for emergency payments over the past three years. If the entire reserve fund is used for agriculture — meaning no money for defense emergencies, earthquakes, forest fires, or anything else besides farmers — the reserve fund contains less than two-thirds of the average amount farmers have received in the past.

The Contingency Reserve Fund, which raids the Medicare Trust Fund, cannot be credibly said to contain money for farmers either. The Contingency Reserve Fund is used as a panacea for all that is lacking in President Bush's budget. It is cited at various points in the budget documents to pay for a Medicare Prescription Drug Program, additional defense spending, transition costs for a new Social Security system, faulty ten-year economic forecasts, and any other need left unaddressed. The Contingency Fund runs out of money long before it runs out of uses, and all of the uses reduce the amount of debt repaid (for which the President's budget has already claimed credit).

The Incredible Shrinking Contingency Fund

Claimed Contingency Fund \$841 billion

Save the Medicare Surplus \$317 billion

Individual Social Security Accounts \$??? billion

Boost Defense as a % of GDP \$??? billion

Agriculture Policy Changes \$??? billion

National Missile Defense \$??? billion

Economic Downturn \$??? billion

Estimating Errors \$??? billion

Bigger Tax Cut \$??? billion

Fix the AMT \$??? billion

Thus, under President Bush's reserve fund framework, agriculture competes with other priorities such as saving the Medicare Trust Fund, reducing debt, and strengthening defense, not only in terms of dollars, but also in terms of time. The Agriculture Committees must race to complete the commodity title of the Farm Bill, fracturing the important coalitions needed for reauthorization of the full Farm Bill. And since agriculture needs must be financed from the same pool of funds as defense needs, additional pressure is placed on the Committees. If the Pentagon completes its review before the Agriculture Committees finish their work, there may not be much — or anything — left for farmers.

Appropriated Programs

President Bush's budget provides \$4.8 billion for appropriated agriculture (that is, Function 350) programs for 2002, which is \$122 million below the amount needed, according to CBO, to maintain current purchasing power. On the same basis, the President's budget cuts Function 350 by \$1.4 billion over the ten-year period (2002-2011).

- ***Departmental Funding*** — For 2001, USDA received \$19.3 billion for appropriated programs⁶. President Bush's budget provides \$17.9 billion, a cut of \$1.4 billion (7.4 percent) *before* accounting for inflation. In order to keep USDA's purchasing power constant, CBO estimates the department would require \$19.6 billion, and so President Bush has suggested an 8.7 percent cut from that level.

⁶The USDA discretionary budget includes funding from Function 350 (Agriculture), as well as funding from Functions 150 (International Affairs), 270 (Energy), 300 (Natural Resources and Environment), 370 (Commerce and Housing Credit), 450 (Community and Regional Development), 550 (Health), and 600 (Income Security).

President Bush's Budget Falls Short for USDA (Dollars in Billions)			
The President Provides	Last Year's Level	Below Last Year	Percent Cut
17.9	19.3	-1.4	-7.4%
	Amount Needed to Keep Pace with Inflation	Below Level Needed	Percent Cut
	19.6	-1.7	-8.7%

Where are the Reductions Made?

In Iowa on September 1, 1999, President Bush promised, "I will use all the leverage at our disposal to open agriculture markets worldwide." His budget, however, makes cuts to the Foreign Agriculture Service, whose primary mission is to improve foreign market access for U.S. products, and makes cuts to the Marketing and Regulatory Programs, whose primary missions are to expand the domestic and international marketing of U.S. agricultural products and to protect the health and welfare of animals and plants.

- ***Foreign Agricultural Service (FAS)*** — The budget cuts P.L. 480 Title I, which provides concessional sales of U.S. agricultural commodities to developing countries and private entities, by \$112 million from last year's level. The Section 416 (b) Program, which donates surplus commodities to carry out programs of assistance in developing countries, and friendly countries is cut by \$565 million from last year's level. The FAS helps farmers by expanding export opportunities for U.S. agricultural, fish, and forest products and promoting world food security.
- ***Marketing and Regulatory Programs*** — President Bush's budget for 2002 provides \$1.2 billion for marketing and regulatory programs at USDA, a \$231 million cut below the 2001 freeze level. These programs improve market competitiveness and the farm economy for the overall benefit of both consumers and American agriculture, and are administered by the Animal and Plant Health Inspection Service (APHIS); the Grain Inspection, Packers, and Stockyards Administration (GIPSA); and the Agriculture Marketing Service (AMS).
- ***Reductions in Agricultural Research*** — USDA spent \$2.3 billion for its four research and education agencies for 2001. For 2002, these agencies face a \$173 million cut below a freeze level.

USDA Research, Education, and Economics Agencies

(Dollars in Millions)

Program	2001	President's Budget	Change
Agricultural Research Service (ARS)	1,012	969	-43
Cooperative State Research, Education, and Extension Service (CSREES)	1,138	994	-144
Economic Research Service (ERS)	66	67	+ 1
National Agricultural Statistics Service (NASS)	101	114	+ 13
Total Research Budget	2,317	2,144	-173

- Fewer Resources and New Priorities for Research*** — President Bush's budget reduces the overall level of USDA research funding and redirects remaining resources. The President's budget sets aside \$12 million for additional work to prevent and control exotic diseases and pests with special emphasis on Bovine Spongiform Encephalopathy (BSE or "mad cow disease"), \$7.5 million to support work on biotechnology, and \$15 million for work on biobased products and bioenergy to overcome technical barriers to low-cost biomass conversion. But because there is no corresponding increase in overall resources, these shifts mean an additional \$35 million cut to other current research programs, on top of the \$173 million overall cut already in the budget.